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SUBJECT: RUSSIAN ENERGY: UPDATE ON BELARUS-RUSSIA OIL ROW

REF: MOSCOW 57

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1. (SBU) On January 11, Econoff spoke to Shawn McCormick (please protect), head of government relations at TNK-BP, who confirmed press reports that Russian crude is flowing again through Belarus along the Druzhba pipeline and his company was sending their "normal" volumes through and was not required to cut back on production. McCormick believed that other Russian shippers were also operating at full capacity. When asked whether the GOR had authorized Transneft to send only enough oil for European consumption -- in other words sending none for Belarus's domestic use -- McCormick said that he was not aware of any restrictions on sending oil to Belarus for its own use. TNK-BP's oil trading department indicated that it appears that the "crisis has been averted." According to press reports, Belarusian Prime Minister Sidorsky is in Moscow for discussions with Russian Prime Minister Fradkov in an effort to reach an agreement ending the impasse. The talks are expected to last through tomorrow.

2. (SBU) For its part, the Russian Duma has been most concerned about the future of Russia's union with Belarus. Duma Speaker Boris Gryzlov was quoted in the press as saying that Belarus's actions were not helpful to the creation of a union. In an Echo Moskvy radio interview on January 10, Duma Vice Speaker Oleg Morozov expressed the fear that Belarus's actions, for which he blamed Lukashenko, had taken Russia and Belarus away from forming a union. He continued that he hoped Belarus had learned its lesson and that it would now be more inclined to agree to a single ruble and customs zone. The Duma is planning on holding a "government hour" meeting with Economy Minister German Gref on January 17 to discuss the progress of the talks. A proposal by Rodina Duma Deputy Sergey Baburin proposed joint parliamentary hearings on the situation but the measure did not pass.

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